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# Osaka Renaissance News

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Welcome to “Osaka Renaissance News” - the email newsletter of Osaka City Government’s “Urban Revitalization Task Force”.

## **This Issue: City Reform of Osaka**

The New Osaka:

Part 1: Osaka’s Municipal Government Reform Initiative (City Reform). The city reforms both the government and the region.

Part 2: Joan B. Siegel, an Economic Officer at the American Embassy in Tokyo, discusses her view of Osaka’s City Reform and shares her interview with Professor Shinichi Ueyama of Keio University, Chairman of the City Reform Council.

## **AUTHOR of this issue**

The Osaka City Revitalization Task Force has commissioned Yoshitaka Seino, Manager for Reform Management, Reform Promotion Division, Office of City Reforms, Osaka City and Joan B. Siegel to author this newsletter. Ms. Sigel is an economic officer at the Embassy of the United States of America.

## **The Osaka Urban Revitalization Task Force**

We are the first *City Task Force* established in Japan to address urban regeneration and revitalization issues within a common framework. We also collaborate with the central government’s “Urban Renaissance Program”. The role of the task force is to coordinate and promote the set of initiatives that taken together from the Osaka Revitalization Plan.

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“Osaka Renaissance News” is distributed through multiple email channels to spread the word about important initiatives taking place in Osaka.

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# CITY REFORM OF OSAKA

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## CITY REFORM OF OSAKA

*The City of Osaka is going to reform the city's government and breathe new life into the region. Prof. Ueyama of Keio Univ. talks about the reformation of Osaka.*

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#### Part 1: Osaka's Municipal Government Reform Initiative

Osaka faces the issues of 1) Establishing a City Reform Headquarters, 2) Implementing the City Reform Manifesto, and 3) City Reform and Osaka's Identity as a City of Creativity.

##### 1) Establishing a City Reform Headquarters

A decision was made in April 2005 to establish the City Reform Headquarters to carry out radical city reforms in order to rectify the issue of excessive benefits received by municipal employees, which first came to light in the fall of 2004, and to overcome the severe financial crisis Osaka is now facing.

According to the report by the Welfare and Benefits System Reform Committee

which detailed the situation with a structural review and with the aid of external expert reviews, as much as 41 billion yen could be identified as an excessive cost.

A project team consisting of external experts, headed by Professor Ueyama at Keio University, and employees of Osaka Municipal Government, was also created in order to further pinpoint and analyze various problems surrounding the municipal government, and to study proposals for improvements. In September of 2005, the City Reform Manifesto was published, setting out specific targets under the heading of city reform and specific tasks for these efforts.

Since the City Reform Manifesto was published, the necessary amendments have been carried out, and, in February

of 2006, these amendments were formalized into the Manifesto.

## **2) Implementing the City Reform Manifesto**

**The City Reform Manifesto is comprised of the following three elements: A.) Management Reform, B.) Compliance Reform, and C.) Government Reform.**

### **A.) Management Reform**

Management Reform focuses principally on financial restructuring and reducing the size of the municipal workforce. A quantitative target has been set for a reduction of 225 billion yen over a five-year period for operating and investment expenses and extraordinary carryover funds. Under the budget for fiscal 2006, the first year of the reform, a reduction of 83.2 billion yen has been made, and the achievement ratio is 37%.

A five-year target for the reduction of municipal employees has been set at 5,000. The target will be met by both freezing new hires and by transforming such things as municipal universities into independent administrative institutions (this alone reducing 2,000 employees). Since the Manifesto was formulated, the municipal workforce has been reduced by about 2,500, with a progress rate of 37%.

Management practices are also being reviewed. Ten bodies or operational categories, including municipal hospitals, the Kousai-In Hospital, the Institute for Public Health and Science, the Technical Research Institute, the Central Wholesale Market, environmental operations, ports and harbors, subways and busses, water services, and museum facilities, are now being investigated.

Policy and direction will be in the formulation stage by the end of fiscal 2008.

Subway and bus operation reform is particularly important. The most desirable management format that allows for continuous service to be provided to the citizens will be selected, with one option being total privatization.

### **B.) Compliance Reform**

Compliance reform focuses on government transparency by stepping up public disclosure of information and by ensuring fairness. By focusing on transparency, the government will regain the trust of the citizenry by refraining from actions that may appear questionable.

The Legal Affairs Inspection Office was established in the General Affairs Bureau in April 2006 with specific responsibility for compliance. This office operates a whistleblower protection system for Equitable Performance of Duties by Municipal Employees, known as the Compliance Ordinance. Under this system, the Office receives reports on any illegal or inappropriate practices by city employees or subcontracted companies, and then has the matter investigated by the Osaka City Equity and Justice Investigative Committee made up of experts from the private sector. Corrective measures are then taken in accordance with the findings of the investigation.

### **C.) Governance Reform**

Governance Reform has focused foremost on strengthening top management functions. An Executive

Council was established for this aim and provides a forum for the Mayor and other municipal executive officers to share information and insights regarding tasks related to the municipal government. This allows for thorough and in-depth discussions prior to making decisions on behalf of the city. The Executive counsel meets bi-weekly.

The departments providing managerial assistance to the Mayor have also been reorganized. This has included establishing the Office of City Reforms, whose remit is to vigorously promote city reforms.

Further reorganizations include the centralized management of land information and the selling-off and transfer of unused land, establishing a Contract Receivership Office to make contract administration more transparent and equitable, and the streamlining of the organizational structure for the City Planning and the Environmental Measures Departments, among others, to avoid duplication of effort.

Finally, Osaka's citizens have singled out the reform of their local ward offices as a top priority, as these are the offices with which they have the most contact. The preliminary draft of the Ward Government Reform Declaration (Ward Reform Manifesto) was formulated and published in October of 2006.

Rigorous monitoring from an external perspective is being carried out by the City Reform Council, headed by Professor Shinichi Ueyama of Keio University (see interview in Part 2), with a membership consisting of economists and other experts, and by the Equity and

Justice Investigative Committee and the Administrative Assessment Committee.

### **3) City Reform and Osaka's Identity as a City of Creativity**

City Reform is not restricted to the management reform of municipal offices. By providing sound administrative and fiscal foundations that enable a sustainable urban community, the City Reform will also unleash Osaka's true potential and revitalize the city.

The Osaka Municipal Government has thus formulated a Creative City Strategy and set its sights on a pioneering exercise in revitalizing the city. This exercise is designed to reinvent Osaka as a city fostering creativity on both personal and corporate levels, attracting, stimulating, and inspiring people through innovative environments.

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### **Part 2: Joan B. Siegel, an Economic Officer at the American Embassy in Tokyo, discusses Osaka's City Reform and talks with Professor Shinichi Ueyama of Keio University and the City Reform Council**

#### **1) Introduction and My Image of Osaka**

I grew up in a small, rural U.S. city called Billings, Montana (population 100 000) and also lived for a year during high school in another small, rural town,

Mori-machi, Shizuoka (population 20 000). Subsequently, however, I have lived in major cities, including New York, London, Boston, Washington D.C., and now Tokyo. I believe that living in these cities has provided me with a broad frame of reference with which to examine Osaka's reform endeavors.

Currently an economic officer posted at the American Embassy in Tokyo, I am an impartial observer without agenda when judging Osaka's city reform plans. I have been an occasional tourist to Osaka over the past couple of decades and was vaguely aware of the city's financial difficulties. I have seen some of it during my various visits.

Recently, the Osaka City Revitalization Task Force ask me to visit Osaka to hear directly from city officials their plans to reform the city's government and breathe new life into the region.

I have always been very fond of Osaka, partly because I have friends here and partly because I find it to be a welcome change from the hustle and bustle of Tokyo or the deep cultural immersion of Kyoto. During this recent visit, the Task Force laid out for me many more reasons to like and admire the city.

## **2)Osaka's Potential**

Osaka has the second highest standard of living among Japan's major cities, second only to Nagoya. Despite its economic troubles, Osaka's gross domestic product (GDP) exceeds those of Hong Kong and Singapore, and it comprises four percent of Japan's total GDP. Its per-capita gross product is second only to Tokyo and far exceeds other major Japanese cities.

Osaka also has the largest capacity of special nursing homes for the elderly, which means that the city is the most prepared for the aging population of the nation.

It also boasts Japan's longest publicly-owned subway system, has more railways stations per square mile than Tokyo, and has a very well developed road network.

Osaka was the first Japanese metropolis to introduce advanced water purification throughout the entire city and has built a sewage system with 100 percent coverage.

These are just a few of the many more points that highlight Osaka's sound infrastructure.

## **3)City Reform Plans**

When Japan's economy began to slow in the early 90's, it is well known that Osaka was hit hard and has been struggling to recover ever since. The city found itself mired in financial difficulties, and it lost the confidence of its citizens. Rather than being defeated, however, the city has pulled itself together and created a road map for the future – the City Reform Manifesto – to regain financial stability and earn back the faith of its citizens.

During my meeting with the Task Force, I was struck by the candor with which the city's problems have been acknowledged and addressed. I was impressed, too, by the breadth of research that had gone into how to rectify the problems. This is a government and a city that has faced up to its failures and has set about finding the best ways to fix them. Everyone

from private citizen to government employee, from layperson to expert, has had a chance to weigh in. Osaka has polled its citizens and its employees for their opinions, reached out to the business community for advice, and brought in academic experts.

Not surprisingly, Osaka has already begun to make noticeable progress. The city has reduced its overall costs by one-third of its goal and reduced its government issuance by nearly 50 percent of its target. The number of employees has also been reduced, and full information disclosure and a compliance system have been implemented.

#### **4) My Interview with Professor Shinichi Ueyama of Keio University**

Through the good offices of the municipal government, I had the opportunity to interview Professor Shinichi Ueyama of Keio University, Chairman of the City Reform Council, and architect of the City Reform Manifesto.

Professor Ueyama, before focusing on Osaka, has worked on restructuring the local governments of both Yokohama and Fukuoka. He works closely within the Osaka city government, looking at everything from computer use to basic operations, to find out how to make change a reality. His special expertise is in revitalization of private companies, and in management reform consultancy for national government and NPOs. Currently, as Chairman of the City Reform Council, he reviews and monitors progress made under the City Reform Manifesto and other City Reform initiatives from an outsider's perspective, and offers advice.

Professor Ueyama told me frankly that he and the city do not agree on everything, for example, he believes that combining the governments of Osaka City and Osaka Prefecture would cut down on redundancy and inefficiency and therefore makes sense, while Osaka City is less enthusiastic about adding the Prefecture's problems to its own.

He also argues convincingly against Osaka trying to be another Tokyo, instead of developing its own strengths in areas such as tourism and the service industry. He discourages the city placing emphasis on reform through the creation of "big" things: big factories, big industry, etc., a tendency that the Kansai area has been historically famous for but that's time has long passed.

Professor Ueyama's passion for his work coupled with his clear-eyed, pragmatic understanding that eventually he will have to cut himself loose from the process and allow Osaka to find its own way, struck me as particularly refreshing, hopeful, and healthy. He recognizes his unelected status and intends to avoid overstaying his welcome.

His one caution to the people of Osaka is to have patience. This is a large task and it will require a lot of time and effort from everyone. It took several years to create the financial difficulties Osaka is facing, and it may take as many more to fix them, but the people of Osaka and the spirit that makes this city an important part of Japan and the world will definitely succeed.

**THE END**